



BILLING CODE: 6750-01S

FEDERAL TRADE COMMISSION

[File No. 171 0217]

Air Medical Group Holdings, Inc., KKR North America Fund XI (AMG) LLC, and AMR Holdco, Inc.; Analysis to Aid Public Comment

AGENCY: Federal Trade Commission.

ACTION: Proposed consent agreement.

SUMMARY: The consent agreement in this matter settles alleged violations of federal law prohibiting unfair methods of competition. The attached Analysis to Aid Public Comment describes both the allegations in the complaint and the terms of the consent orders -- embodied in the consent agreement -- that would settle these allegations.

DATES: Comments must be received on or before April 6, 2018.

ADDRESSES: Interested parties may file a comment online or on paper, by following the instructions in the Request for Comment part of the **SUPPLEMENTARY**

INFORMATION section below. Write: “Air Medical Group Holdings, Inc., KKR North America Fund XI (AMG) LLC, and AMR Holdco, Inc.; File No. 1710217, Docket No. C-4642” on your comment, and file your comment online at

<https://ftcpublic.commentworks.com/ftc/kkrenvisionamgconsent> by following the

instructions on the web-based form. If you prefer to file your comment on paper, write

“Air Medical Group Holdings, Inc., KKR North America Fund XI (AMG) LLC, and

AMR Holdco, Inc.; File No. 1710217, Docket No. C-4642” on your comment and on the

envelope, and mail your comment to the following address: Federal Trade Commission,

Office of the Secretary, 600 Pennsylvania Avenue, NW, Suite CC-5610 (Annex D),

Washington, DC 20580, or deliver your comment to the following address: Federal Trade Commission, Office of the Secretary, Constitution Center, 400 7th Street, SW, 5th Floor, Suite 5610 (Annex D), Washington, DC 20024.

FOR FURTHER INFORMATION CONTACT: Sylvia Kundig (415-848-5188), Western Region-San Francisco, 901 Market Street, Suite 570, San Francisco, CA 94103

SUPPLEMENTARY INFORMATION: Pursuant to Section 6(f) of the Federal Trade Commission Act, 15 U.S.C. 46(f), and FTC Rule 2.34, 16 CFR § 2.34, notice is hereby given that the above-captioned consent agreement containing a consent order to cease and desist, having been filed with and accepted, subject to final approval, by the Commission, has been placed on the public record for a period of thirty (30) days. The following Analysis to Aid Public Comment describes the terms of the consent agreement, and the allegations in the complaint. An electronic copy of the full text of the consent agreement package can be obtained from the FTC Home Page (for March 7, 2018), on the World Wide Web, at <https://www.ftc.gov/news-events/commission-actions>.

You can file a comment online or on paper. For the Commission to consider your comment, we must receive it on or before April 6, 2018. Write “Air Medical Group Holdings, Inc., KKR North America Fund XI (AMG) LLC, and AMR Holdco, Inc.; File No. 1710217, Docket No. C-4642” on your comment. Your comment - including your name and your state - will be placed on the public record of this proceeding, including, to the extent practicable, on the public Commission Website, at <https://www.ftc.gov/policy/public-comments>.

Postal mail addressed to the Commission is subject to delay due to heightened security screening. As a result, we encourage you to submit your comments online.

To make sure that the Commission considers your online comment, you must file it at <https://ftcpublic.commentworks.com/ftc/kkrenvisionamgconsent> by following the instructions on the web-based form. If this Notice appears at <http://www.regulations.gov/#!home>, you also may file a comment through that website.

If you prefer to file your comment on paper, write “Air Medical Group Holdings, Inc., KKR North America Fund XI (AMG) LLC, and AMR Holdco, Inc.; File No. 1710217, Docket No. C-4642” on your comment and on the envelope, and mail your comment to the following address: Federal Trade Commission, Office of the Secretary, 600 Pennsylvania Avenue, NW, Suite CC-5610 (Annex D), Washington, DC 20580, or deliver your comment to the following address: Federal Trade Commission, Office of the Secretary, Constitution Center, 400 7th Street, SW, 5th Floor, Suite 5610 (Annex D), Washington, DC. 20024. If possible, submit your paper comment to the Commission by courier or overnight service.

Because your comment will be placed on the publicly accessible FTC Website at <https://www.ftc.gov>, you are solely responsible for making sure that your comment does not include any sensitive or confidential information. In particular, your comment should not include any sensitive personal information, such as your or anyone else’s Social Security number; date of birth; driver’s license number or other state identification number, or foreign country equivalent; passport number; financial account number; or credit or debit card number. You are also solely responsible for making sure that your comment does not include any sensitive health information, such as medical records or other individually identifiable health information. In addition, your comment should not include any “trade secret or any commercial or financial information which . . . is

privileged or confidential” – as provided by Section 6(f) of the FTC Act, 15 U.S.C. 46(f), and FTC Rule 4.10(a)(2), 16 CFR 4.10(a)(2) – including in particular competitively sensitive information such as costs, sales statistics, inventories, formulas, patterns, devices, manufacturing processes, or customer names.

Comments containing material for which confidential treatment is requested must be filed in paper form, must be clearly labeled “Confidential,” and must comply with FTC Rule 4.9(c). In particular, the written request for confidential treatment that accompanies the comment must include the factual and legal basis for the request, and must identify the specific portions of the comment to be withheld from the public record. *See* FTC Rule 4.9(c). Your comment will be kept confidential only if the General Counsel grants your request in accordance with the law and the public interest. Once your comment has been posted on the public FTC Website – as legally required by FTC Rule 4.9(b) – we cannot redact or remove your comment from the FTC Website, unless you submit a confidentiality request that meets the requirements for such treatment under FTC Rule 4.9(c), and the General Counsel grants that request.

Visit the FTC Website at <http://www.ftc.gov> to read this Notice and the news release describing it. The FTC Act and other laws that the Commission administers permit the collection of public comments to consider and use in this proceeding, as appropriate. The Commission will consider all timely and responsive public comments that it receives on or before April 6, 2018. For information on the Commission’s privacy policy, including routine uses permitted by the Privacy Act, see <https://www.ftc.gov/site-information/privacy-policy>.

Analysis of Proposed Consent Orders to Aid Public Comment

I. Introduction

The Federal Trade Commission (“Commission”) has accepted, subject to final approval, an Agreement Containing Consent Orders (“Consent Agreement”) with KKR North America Fund XI (AMG), LLC, Air Medical Group Holdings, Inc., (“AMGH”), and AMR Holdco, Inc. (“AMR”). The Consent Agreement is intended to remedy the anticompetitive effects that likely would result from AMGH’s proposed acquisition of AMR (the “Acquisition”). Under the terms of the Consent Agreement, AMR must sell its inter-facility air medical transport services business in Hawaii. The Acquisition, if consummated, would result in the consolidation of the only two inter-facility air medical transport service providers in Hawaii.

The Consent Agreement has been placed on the public record for 30 days to solicit comments from interested persons. Comments received during this period will become part of the public record. After 30 days, the Commission will again review the Consent Agreement and the comments received, and will decide whether it should withdraw from the Consent Agreement, modify it, or make final the Decision and Order (“Order”).

II. The Parties

A. AMGH

AMGH is wholly owned by KKR North America Fund XI (AMG) LLC. It is likely the largest provider of air ambulance services in the United States with 270 operating locations in 38 states. AMGH operates as Hawaii Life Flight in Hawaii.

B. AMR

AMR is a wholly-owned subsidiary of Envision Healthcare and is the largest national ground ambulance provider in the United States, but also provides air ambulance services in several locations. In Hawaii, it provides both ground ambulance services and inter-facility air ambulance transport services. To provide inter-facility air ambulance transport services, AMR partners with LifeTeam, an air ambulance provider located in the Midwest, which has the necessary FAA licenses and certifications, and provides the pilots and maintenance for the fixed-wing aircraft. AMR handles the marketing, medical personnel, and billing for the services provided.

III. The Proposed Acquisition

Under an agreement executed on August 7, 2017, AMGH will acquire 100 percent of the voting stock of AMR in a deal valued at approximately \$2.4 billion.

The Commission's Complaint alleges that the Acquisition, if consummated would violate Section 7 of the Clayton Act, as amended, 15 U.S.C. § 18, and Section 5 of the FTC Act, as amended, 15 U.S.C. § 45, by substantially lessening competition for the provision of inter-facility air ambulance transport services in Hawaii.

IV. The Relevant Market and Structure of the Markets

The Commission's Complaint alleges that the relevant product market in which to analyze the Acquisition is the provision of inter-facility air ambulance transport services. These services consist of air ambulance services that transfer patients between medical facilities on different islands, including from medical facilities with low acuity or limited patient treatment capabilities to those that can provide the appropriate medical and

surgical care. The Commission's Complaint alleges that the relevant geographic market in which to analyze the effects of the Acquisition is the State of Hawaii.

The Commission's Complaint alleges that the Acquisition will increase concentration in an already highly concentrated market. AMGH and AMR are the only two providers of inter-facility air ambulance transport services in Hawaii.

V. Effects of the Transaction

According to the Commission, the effect of the Acquisition, if consummated, may be substantially to lessen competition and tend to create a monopoly in inter-facility air ambulance transport services, and increase the likelihood of the unilateral exercise of market power. The Acquisition would increase the likelihood that consumers, third-party payers, or government health care providers would be forced to pay higher prices or experience degradation in service or quality.

VI. Entry Conditions

The Commission's Complaint alleges that entry into the relevant market would not be timely, likely, or sufficient to deter or counteract the anticompetitive effects of the Acquisition. The primary barrier to entry is the lack of sufficient volume of referrals and payments from third party payers to justify the economic risk of new entry, even if the parties imposed a small but significant non-transitory increase in price (SSNIP).

VII. The Proposed Consent Agreement

The proposed Consent Agreement remedies the anticompetitive concerns raised by the Acquisition by requiring AMR to sell its inter-facility air ambulance transport services business, including the assets that support that business, to AIRMD, LLC, dba LifeTeam. LifeTeam is a large, established company with experience in the industry. It

is also the current operator of the FAA certified aircraft used by AMR for inter-facility air ambulance transport services in Hawaii, and thus very familiar with AMR's assets and operations in Hawaii. Under the proposed Consent Agreement, AMR will divest to LifeTeam the four-fixed wing aircraft it uses to fly patients inter-island, support LifeTeam's application for a Certificate of Need with the State of Hawaii to operate ground ambulances, and offer LifeTeam the option to purchase up to four ground ambulances from AMR. LifeTeam would use the ground ambulances to support its air ambulance transport service to transfer patients to and from medical facilities and the aircraft it operates.

The proposed Consent Agreement also contains an Order to Maintain Assets that will issue at the time the proposed Consent Agreement is accepted for public comment. The Order to Maintain Assets requires Respondents to operate and maintain the divestiture assets in the normal course of business through the date that the Respondents complete divestiture of the assets, thereby maintaining the economic viability, marketability, and competitiveness of the assets. The Order to Maintain Assets also authorizes the Commission to appoint an independent third party as a monitor to oversee the Respondents' compliance with the requirements of the proposed Consent Agreement.

The purpose of this analysis is to facilitate public comment on the proposed Consent agreement, and the Commission does not intend this analysis to constitute an official interpretation of the proposed Consent Agreement or to modify its terms in any way.

By direction of the Commission.

Donald S. Clark,
Secretary.

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